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UNCLAS SECTION 01 OF 02 MAPUTO 001101

SIPDIS

STATE FOR AF/S - TREGER

USDA/FAS/EXPORT CREDITS FOR MARY CHAMBLISS, DEPUTY
ADMINISTRATOR

USDA/FAS/EXPORT CREDITS FOR RON CROUSHORN, DIRECTOR,
PROGRAMMING DIVISION

PRETORIA FOR AGRICULTURAL ATTACHE - RBICKFORD

USDOC FOR RTHELCHIN

E.O. 12958: N/A

TAGS: [EAGR](#) [EAID](#) [MZ](#) [ETRD](#)

SUBJECT: MOZAMBIQUE - REQUEST FOR FY06 USDA FOOD AID
THROUGH PL 480, TITLE I AND FOOD FOR PROGRESS

REF: STATE 139203

REQUEST JUSTIFICATION

1. Although Mozambique still remains one of the poorest countries in Africa, its government has been successful in encouraging economic growth, attracting foreign investment and revitalizing several industries destroyed by the 16-year civil war. In spite of the recent growth, Mozambique still maintains a difficult and bureaucratic business environment that tends to raise costs for established businesses and acts as a disincentive for new investment. The Government of Mozambique (GRM) is responding to these challenges by reviewing and revising legislation and policies related to a variety of business-related issues such as registration, labor, land titling and ownership, telecommunications and trade. These efforts are often complicated by lack of technically qualified personnel and entrenched special interests. The Ministry of Industry and Commerce (MIC) and its partners are developing programs to address these issues in a rational manner, with the goal of increasing jobs and investment and reducing poverty.

2. The recent National Assessment of Poverty and Well-being in Mozambique, conducted by the Ministry of Planning and Finance, indicated that 60 percent of the population still lives in poverty. With these levels of poverty, improvements in the standards of living of the poor remain a central policy objective for the GRM. In this context Title I is an important economic tool to help Mozambique achieve its goals through a government-to-government food donation and, in turn, by using the proceeds from sold commodities to improve the business environment. Receipt of Title I food commodities will bolster Mozambique's potential to develop its commercial markets, as the country undertakes measures to improve food security and agricultural development. Despite progress in increasing agricultural production, Mozambique still has areas of food insecurity and, as the World Food Programme indicates, one third of the population is classified as chronically food insecure.

VALUE AND TYPE OF COMMODITY REQUESTED

3. Mission requests funding for PL 480 Title I-funded Food for Progress grants of agricultural commodities, specifically \$5.0 million of crude soybean oil.

4. Title I sales of this commodity to Mozambique would not disrupt normal world commercial trade.

DESCRIPTION OF USE OF PROCEEDS

5. This request is a follow-on to support and complement continuing activities that were partially funded by FY 2005 Title I program in Mozambique.

6. Title I commodities will be sold by MIC. The government will use proceeds from the sale of the soybean oil for programs that will increase labor intensive exports by 1) increasing the capacity of the government and private sector in negotiating, and utilizing, trade agreements, 2) improving the business environment by reducing bureaucratic red tape through policy and regulatory interventions, and 3) offering focused education and training programs on economics, trade, and agriculture. These GRM efforts will reinforce U.S. interests in making AGOA and the recently signed TIFA more effective.

7. Approximately ten percent of proceeds will be used to finance scholarship opportunities under USDA's Borlaug Fellows Program. This program provides short-term scientific training for international research scientists and policy makers. The areas of training can be in any agriculture-related field, and include areas such as agronomy, plant pathology, entomology, veterinary sciences, microbiology, and agricultural economics. The training areas

may also include areas such as food safety, sanitary and phytosanitary topics, environmental sciences, agricultural biotechnology, global climate change, water quality and management, among others.

18. The GRM has demonstrated great interest in the continuation of the current activities via an FY06 Title I-funded Food for Progress program. Mission urges approval of this request, which we believe will program resources in a concerted and coordinated manner with other USG initiatives in support of expanding free enterprise in the agricultural sector.

19. This request has been coordinated with FAS Pretoria.
La Lime